

Message Text

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E.O. 11652: GDS

TAGS: ENRG, SA

SUBJECT: INDUSTRIAL WORKING GROUP: CONSTRUCTION INDUSTRY
FIRST BOTTLE-NECK

SUMMARY: MAJOR PROBLEMS IN INDUSTRIALIZATION OF SAUDI ARABIA INCLUDE UTILIZATION OF NATURAL GAS AND MARKETING OF NEW PRODUCTS. SAUDI ARABIA HAS CAPABILITY OF MEETING 25 PERCENT OF TOTAL FERTILIZER NEEDS OF WORLD. INITIAL PROBLEMS OF INDUSTRIALIZATION WILL BE IN CREATING RESOURCE BASE FOR WORLD'S LARGEST SINGLE CONSTRUCTION PROGRAM DURING REMAINDER OF THIS DECADE. CRITICAL PATH NETWORK DESIGN BY US EXPERTS TAKING INTO ACCOUNT PHASING IN OF TRANSPORT, HIGHWAY GRID, LABOR IMPORT AND TRAINING FOR CONSTRUCTION INDUSTRY MAY BE SINGLE GREATEST CONTRIBUTION US GOVERNMENT CAN MAKE.
END SUMMARY.

1. DISCUSSIONS WITH PETROMIN GOVERNOR TAHER AND HEAD OF PERSONNEL BUREAU QURAYSHI IN RECENT DAYS HAVE OUTLINED BASIC THINKING OF KEY SAUDI ARABIAN GOVERNMENT DECISION-MAKERS REGARDING DRIVE FOR INDUSTRIALIZATION OF SAUDI
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ARABIA. GOVERNOR TAHER HAS BEEN DISCUSSING WITH ARTHUR D.

LITTLE GROUP IN RECENT DAYS EXTENT OF GAS AVAILABILITIES AND ROUGH FIGURES ON WHAT THIS MEANS FOR WORLD FERTILIZER PRODUCTION. FERTILIZER PRODUCTION COULD REACH 12 MILLION TONS A YEAR OF UREA, APPROXIMATELY 25 PERCENT OF PROJECTED WORLD NEEDS BY 1980, ACCORDING TO TAHER. BALANCE IS BEING CONSIDERED BETWEEN METHANOL AND LNG FOR USE OF REMAINDER OF GAS NOT USED IN FERTILIZERS. ADL AND PETROMIN EXPERTS ARE NOW FOCUSING ON INFORMATION REGARDING GATHERING FACILITIES AND RESOURCE AVAILABILITY FOR PRODUCTION TARGETING. TAHER BELIEVES THAT WAYS AND MEANS MUST BE FOUND FOR SALE OF PRODUCTS AND PHASING IN OF SAUDI PRODUCTION TO MEET WORLD NEEDS IN RATIONAL FASHION. HE FORESEES BOTH GOVERNMENT AND PRIVATE JOINT VENTURES IN THIS FIELD, PARTICULARLY IN FERTILIZERS.

2. AVAILABILITY OF MANPOWER REMAINS THE NUMBER ONE CONCERN OF INDUSTRIAL PLANNERS. ABDUL AZIZ QURAYSHI, MINISTER OF STATE AND HEAD OF THE SUPREME PERSONNEL BUREAU HAS REVEALED THAT ONLY 2700 BOYS WILL GRADUATE THIS YEAR FROM HIGH SCHOOLS IN THE KINGDOM. AN ADDITIONAL 1200 GIRLS--WHO CANNOT JOIN THE WORK FORCE--WILL GRADUATE. THE NEED FOR INDUSTRIAL WORK FORCE WILL EXCEED 100 THOUSAND BEFORE 1980. EXPANSION OF THE HIGH SCHOOLS COULD NOT POSSIBLY BE RAPID ENOUGH TO ACCOMPLISH THIS GOAL.

3. RECENT CORPS OF ENGINEERS WARNINGS TO THE MINISTRY OF DEFENSE REGARDING CONSTRUCTION PROGRAMS WITHIN THAT MINISTRY ALONE INDICATE THAT SEVERE PROBLEMS IN EVEN ACCOMPLISHING THE CONSTRUCTION OF INDUSTRIES WILL OCCUR DURING THE REMAINDER OF THIS DECADE. UNLESS TOTAL CONSTRUCTION REQUIREMENTS FOR BOTH MODA AND CIVILIAN INDUSTRIAL PROGRAMS ARE CAREFULLY COORDINATED, NO CONSTRUCTION SCHEDULE WILL BE VALID AND NO REASONABLE CONTRACT BIDS CAN BE EXPECTED. AREAS OF REAL CONCERN TO THE COE INCLUDE CEMENT PRODUCTION AND THE FIRST PRIORITY WILL BE SUBSTANTIALLY INCREASED LOCAL PRODUCTION OF QUALITY CEMENT. DESPITE OVER ONE MILLION TONS OF IMPORTS FROM KOREA, TAIWAN, AND OTHER ASIAN SOURCES, CEMENT WILL BE A BOTTLE-NECK THIS YEAR TOGETHER WITH STEEL BARS. A LOGISTICAL PROBLEM WILL BE PORT CAPACITY AND SPEEDING THE PROCESSING OF

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CUSTOMS CLEARANCES, TRANSPORTATION AND STORAGE WITHIN SAUDI ARABIA, AND CREATION OF A HIGHWAY GRID IN AREAS OF INDUSTRIAL DEVELOPMENT WHICH MUST PRECEDE LARGE SCALE IMPORTS OF CONSTRUCTION MATERIALS. THE COE HAS ALSO REMINDED MODA THAT THE MAGNITUDE OF THE CONSTRUCTION PROGRAMS FOR DEFENSE ALONE WILL REQUIRE RECRUITMENT OF FOREIGN LABOR TO AN EXTENT WHICH WILL INTRODUCE MAJOR PROBLEM OF DEVELOPING SUFFICIENT HOUSING AND COMMUNITY SERVICES FOR THESE

WORKERS.

4. IT SEEMS APPARENT THAT THE GREATEST CONTRIBUTION THE INDUSTRIALIZATION WORKING GROUP COULD MAKE IS ESTABLISHING PRIORITIES IN ALL CRITICAL AREAS AIMED AT FACILITATING THE BUILD-UP OF A CONSTRUCTION INDUSTRY BASED ON A COMBINED PROGRAM OF IMPORT OF KEY RAW MATERIALS AND A BUILD-UP IN PRODUCTION FACILITIES FOR THESE MATERIALS WITHIN THE KINGDOM. THE IDEA OF FACILITATING VISAS OF SKILLED TRANSIENT WORKERS FOR THE CONSTRUCTION INDUSTRY WHILE ACCELERATING TRAINING OF SAUDIS FOR THE PERMANENT WORK FORCE SHOULD BE CONSIDERED.
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